Using Credit Cards Wisely
Student Activity Packet
UNIT: TYPES OF CREDIT

Name:

Students will be able to:

- Explain how a credit card works in terms of making purchases and managing payments
- Understand how interest is charged and how to avoid or minimize it
- Discuss different perceptions of debt and reasons why people's experiences with debt may vary

NOTE: Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary

INTRO

DATA CRUNCH: What Interest Rate Do Consumers Pay on Their Credit Cards?
Analyze the image on the worksheet to answer the questions on this Data Crunch.

LEARN IT

VIDEO: Credit Card Debt Explained
You can use credit cards for a wide variety of purchases. But, what happens if you spend more on your credit card than you can afford to repay? Watch this video and answer the questions.

1. **Which best describes how a credit card works?**
   a. The credit card company extends you a line of credit. You then pay a small percentage of the cost of those purchases in one annual payment.
   b. The credit card company extends you a line of credit. You purchase "stuff" and the purchase gets directly paid with funds in your checking account.
   c. The credit card company extends you a line of credit. This is free money that you can use to purchase the "stuff" that you need.
   d. The credit card company extends you a line of credit. You purchase "stuff" and then have the choice to pay the balance in full or a minimum payment each month.

2. **What is the advantage of paying your credit card balance in full each month?**

3. **Why is it more difficult to get out of debt when only paying the minimum payment?**

DO IT

ACTIVITY: CALCULATE: Credit Card Repayment

Maybe you're thinking there's no way you would ever fall into a huge cycle of credit card debt, but paying a little bit of interest won't be so bad. You might be right, or maybe you're underestimating how expensive carrying a balance with interest can become. Follow the directions on the worksheet to complete this activity.

LEARN IT

VIDEO: 100 People Talk About Debt

Would you take on debt to finance a vacation? To pay for college? To buy a used car? To buy a new car? As you watch these individuals talk about how much debt they have, think about how life circumstances, values, and decision making all impact attitudes toward debt. Then answer the questions.

1. **The person at the very end of the video says he has $130,000 in student loan debt and describes it as "worth it."**
    a. Would you agree with him? Why or why not?

    b. What are some other reasons an individual could have that much debt and still consider it worthwhile? Explain your thinking.

2. **On the other hand, some people at the beginning of the video had absolutely no debt whatsoever. What are some possible ways they achieve a debt-free lifestyle while others do not or cannot?**

3. **Other than credit card usage, what are some other reasons people say they are in debt? Do their reasons for carrying debt seem valid to you? Why or why not?**

4. **Throughout the video, you can tell that individuals' FEELINGS about their debt are quite different. What might cause one person to worry about the same level of debt that someone else feels quite comfortable having?**

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.